

Documentary Collections



A documentary collection refers to a payment collected by a bank at the seller's request against the handover of documents to the buyer.

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Documentary Collections

A documentary collection is a transaction in which a bank accepts the task to collect payment on behalf of the seller by delivering the corresponding documents to the buyer.

Compared to delivery on open account, documentary collection offers greater security as it prevents the buyer from taking possession of the goods before either paying or accepting a bill of exchange.

Documentary collections are very suitable in cases where the exporter is reluctant to supply the goods on an open account basis but does not need the degree of security provided by a [documentary credit](#).

Stages of a Documentary Collection

The whole process, extending from the first contact between the buyer (drawee and importer) and the seller (customer, presenter and exporter) to the completion of the transaction, can involve many separate steps. Fundamentally, however, a documentary collection has three stages.

- **Stage 1**

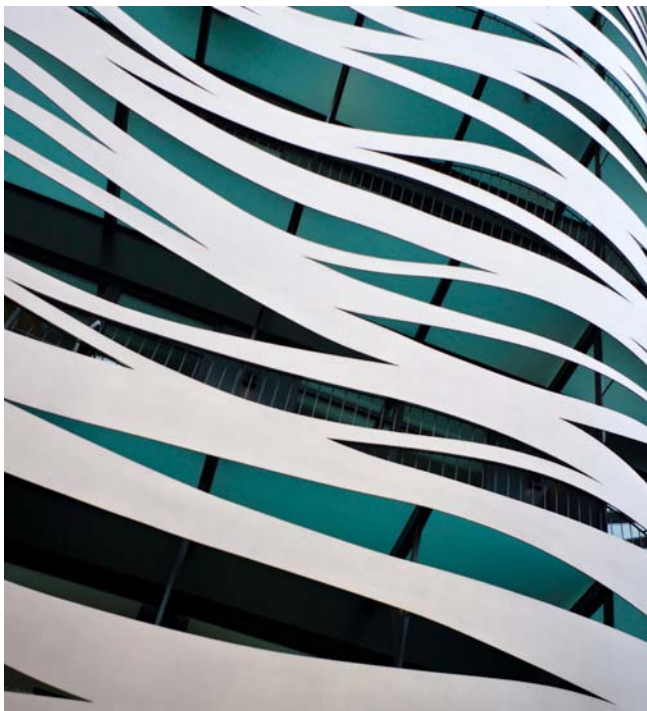
Establishing the terms of collection: The seller stipulates the terms of payment in his quotation or agrees them with the buyer in a sales contract.

- **Stage 2**

Collection Order and Submission of Documents: After receiving the order or after concluding the sales contract, the seller dispatches the ordered goods, either directly to the address of the buyer or to that of the collecting bank (the buyer's bank). At the same time, he prepares all the necessary documents (invoice, bill of lading, insurance certificate, certificate of origin, etc.) and sends them to the remitting bank

(the seller's bank) together with the collection order. The remitting bank sends the documents, together with the necessary instructions, to a bank in the buyer's country. In most cases, this bank presents the documents directly to the buyer. Under some circumstances, it will entrust another bank with the presentation. The term "presenting bank" is used to denote the collecting bank which presents the documents to the buyer.

Credit Suisse provides a special [order form](#) for the seller's convenience to facilitate formulating the order for the documentary collection.



Practical Considerations for Checking Documents

Before the seller submits the collection order to his bank, he must check whether the documents have been fully and accurately completed; this is not the bank's obligation. The bank's task is to merely forward the documents and to carry out the collection order in a professional manner. The bank will, however, check to ensure that all the documents listed in the collection order have been submitted.

The seller should note the following points in particular: Has he presented all the documents demanded by the buyer or stipulated in the contract of sale? Have the documents been made out in accordance with the laws and regulations of the importing country? Have the documents been duly signed? Have the bill of lading, the insurance document and the bill of exchange been endorsed on the reverse (if necessary)? Endorsement is sufficient for transfer if the documents are made out to order.

• Stage 3

Presentation of documents to the buyer and payment: The presenting bank notifies the buyer of receipt of the documents and of the conditions for their release. It receives his payment or acceptance in exchange for the documents (pay-

ment against delivery) and transfers the collected amount to the remitting bank, which then credits the sum to the seller.

Practical Considerations for Presenting Documents

The advice from the presenting bank is accompanied by photocopies of the documents. These provide the buyer with the essential facts about the goods that have been sent and inform him whether the documents received by the bank will enable him to take delivery of the goods and clear them through customs.

The buyer may, if he wishes, go to the presenting bank's offices and examine the papers. The bank is not, however, allowed to let him inspect the goods at the place of destination without express authorization from the seller.

Practical Considerations for Payment

Once the buyer has accepted and paid the documents, the presenting bank transfers the proceeds from the "documents against payment" collection to the remitting bank.

This may, however, pose problems in countries where the availability of foreign currency is limited, as the currency stipulated by the collection order may not be available to the buyer. At the request of both buyers and sellers, it has now become customary to release the documents to the buyer against the deposit of an equivalent amount in local currency together with an exchange risk guarantee. In this way, the buyer can take immediate possession of the goods even if the necessary foreign currency is not available at the time. However, this procedure must be expressly permitted in the collection order, as the seller continues to bear the transfer risk.

In the case of "documents against acceptance" collections, the Bill of Exchange stays in the collecting bank or is returned to the remitting bank depending on the instructions of the seller following release of the documents. The bank delivers the Bill of Exchange to the seller, who may either have the bill of exchange discounted or the amount credited at maturity. For Bills of Exchange with medium-term maturities forfaiting may be possible under certain circumstances.

Types of Documentary Collections

Documents Against Payments

The presenting bank (the buyer's bank) is authorized to release the documents to the buyer only against immediate payment. "Immediately" in the context of international practice for documentary collections means "at the latest on arrival of the goods." If the seller does not wish to wait this long for payment, he must request "payment upon first presentation of documents" when issuing the collection instructions. In this case, however, both the sales contract and the invoice must contain a clause stating that the documents are to be presented to the drawee at the collecting bank immediately on receipt. According to the Uniform Rules for Collection, the collection order must specify the precise deadline by which the buyer must collect the documents or meet any "other conditions".

Documents Against Acceptance

The presenting bank releases the documents to the buyer

against his acceptance of a bill of exchange, which generally matures 30–180 days after presentation (after-sight bill), or on another predetermined date (time bill). This enables the buyer to take possession of the goods before the payment has actually been made. By selling them immediately, he can raise the necessary funds to pay the bill of exchange. He thus obtains a period of credit and is relieved of the need to arrange short-term warehouse financing.

Once the documents have been released, the seller's only security is the bill of exchange accepted by the buyer. Thus while waiting for the bill to mature, the seller bears the risk of non-payment. If the contract of sale has a clause to this effect, however, he may request that the presenting bank, or another first-class bank, issue a guarantee for the accepted bill of exchange. The seller thereby reduces his own risk and is more likely to be able to discount the bill or – in the case of medium-term maturities – sell it to a forfaiter.

Acceptance With Delivery

This third type of collection is encountered more often in specialist publications than in practice. For orders of this type, which occasionally originate, from countries in the Far East, the seller gives instructions that the buyer, on presentation of the documents, shall accept a bill of exchange drawn at, say, 60 days after sight. The documents may not, however, be released to the buyer until the bill has been paid. Until then the goods must be kept in a warehouse.



Documentary Collections – Commissions and Charges

Unless otherwise instructed, the remitting bank will debit its own commissions and expenses and also those of the collecting bank to the seller. The latter can, however, give instructions that the commissions and expenses be borne by the buyer. Even if the buyer refuses to pay them, the presenting bank is still entitled to release the documents to him unless the collection order expressly states that the documents may not be released until after payment of commissions and expenses.

Standard conditions documentary collections

Export and Import

Delivery of documents against payment, acceptance, letter of obligation or trust receipt 0.20%, min. CHF 200

Delivery of documents without payment CHF 200

Additional commissions and charges

Deferred payment/acceptance CHF 200
Monitoring of due date(s)

Release of goods CHF 100

Returns (of reclaimed, refused or unpaid collection orders) CHF 400

Query/Tracer CHF 50

Postage and telecommunication Actual costs, min. CHF 25

Special handling CHF 200 per hour, min. CHF 100
e.g. Structuring and Advisory – time and effort

All commissions and charges are due on performance of the service.

Prices in effect from January 1, 2013

Prices and services are both subject to change.

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* Telephone calls can be recorded.